

CITY COUNCIL REPORT

DATE: 4/22/15

TO: Mayor and Councilmembers

FROM: Andy Wagemaker, Revenue Director

CC: Jeff Meilbeck, Josh Copley, Jerene Watson, Leadership Team

SUBJECT: Air BnB Tax Collection

This is in response Councilmember Evan's request for information on Air BnB operations in the City of Flagstaff.

DISCUSSION

Individual owners of Air BnB rentals are taxable as Hotels under Section 3-05-004-0444 of the City Code. City Staff regularly reviews the individual owner rentals on the Air BnB sites for compliance with the City tax and license codes. If an owner is found to be unlicensed, staff provides Transaction Privilege (Sales) Tax license and return filing information to the owner and brings him or her into compliance. If efforts to bring the owner into compliance are not successful, the City may choose to audit the offending owner, just like any other business. To date the city staff has not engaged an owner who refused to comply.

RECOMMENDATION / CONCLUSION

This report is for information only.

INVESTMENT HIGHLIGHTS (Managed Portfolio)
(Approximate Numbers Used)

Item Description	4th Quarter 2014	Previous Quarter	Since Inception (July 2011)
Total Managed Portfolio	\$82 million	\$73 million	N/A
City Total Return	0.42%	0.00%	0.80%
Benchmark Return	0.48%	-0.05%	0.76%
Return Spread (to Benchmark)	-0.06%	0.05%	0.04%
Portfolio Duration (in Years)	2.45	2.40	N/A
Benchmark Duration (in Years)	2.61	2.62	N/A

DEFINITIONS

Benchmark Return: A comparative basis for measuring the performance of the portfolio. The City uses the ML 1-5 Year Government Index. The index consists primarily of debt issued by the United States Government.

Return Spread: The difference between the City Total Return and the Benchmark Return. (City Total Return minus Benchmark Return)

Portfolio and Benchmark Duration: The average length of time until all securities in the portfolio mature.

COMMENTS

- All investments comply with Arizona Revised Statutes and Flagstaff's Investment Policy.
- The total City resources on hand at the end of the 4th quarter are as follows:

Item Description	Amount	Comments
Managed Portfolio	\$82 Million	PFM Managed Portfolio
City Managed	\$26 Million	CDs/Checking/LGIP Pools
Restricted Funds	\$16 Million	Landfill Closure Fund/Bond Proceeds/Other
Total:	\$124 Million	